

Message Text

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SUBJECT: SOVIET ECONOMIC PERFORMANCE FOR FIRST QUARTER 1976:
10FYP TO UNIMPRESSIONING START

1. SUMMARY: CENTRAL STATISTICAL INSTITUTE (CSI) REPORT IN PRAVDA, APRIL 25, CLAIMS PRODUCTION UP 5 PERCENT FOR FIRST QUARTER 1976 COMPARED WITH SAME PERIOD LAST YEAR. OUTPUT FOR THREE MONTHS EXCEEDED PLAN BY OVER TWO BILLION RUBLES, AND LABOR PRODUCTIVITY INCREASED BY 3.7 PERCENT, SLIGHTLY ABOVE 3.4 PERCENT TARGET. CSI REPORT AND PRAVDA COMMENTARY OF APRIL 26 IDENTIFIED AREAS OF NON-FULFILLMENT OF PLAN AS CHEMICAL INDUSTRY (FERTILIZERS, SYNTHETIC RESINS, PLASTICS), FERROUS METALLURGY (CERTAIN ROLLED STEEL ARTICLES), CEMENT, RAILWAY FREIGHT CARS, SOME TYPES OF PAPER, CLOTHING AND WASHING MACHINES. ADDITIONAL CONTINUING PROBLEMS ARE IDENTIFIED IN TRANSPORTATION SERVICES, FULFILLMENT OF "QUANTITY" PLAN BY SOME ENTERPRISES WITHOUT DELIVERY OF NEEDED PRODUCTS, AND LAST MINUTE "STORMING" TO MEET PLAN TARGET INSTEAD OF SPEEDING UP GENERAL MOMENTUM OF PRODUCTION. ONLY THOSE PLANTS WHICH DELIVER TO CUSTOMERS "IN ACCORDANCE WITH ORDERS AND AGREEMENTS" SHOULD BE DECLARED WINNERS OF "SOCIALIST COMPETITION", WARNS PRAVDA. END SUMMARY.

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2. FIRST QUARTER 1976 INDUSTRIAL PRODUCTION SHOWED FIVE PERCENT INCREASE OVER SAME PERIOD FOR 1975 AND RESULTED IN OVER TWO BILLION RUBLES OUTPUT ABOVE PLAN FIGURES. LABOR PRODUCTIVITY WENT UP 4.7 PERCENT COMPARED WITH 4.3 PERCENT ANNUAL PLAN TARGET. ONLY MAJOR SECTOR WHICH FAILED OVERALL TO MEET PLAN TARGET FOR FIRST QUARTER WAS CHEMICAL INDUSTRY, WITH SPECIFIC SHORTFALLS IN MINERAL FERTILIZERS, SULPHURIC ACID, SYNTHETIC RESINS AND PLASTICS. IN ADDITION OUTPUT OF PIG IRON, RAILWAY FREIGHT CARS, SEVERAL TYPES OF PAPER, CEMENT, CLOTH, CLOTHING AND WASHING MACHINES REPORTED AS BELOW QUARTERLY GOALS. IN LINE WITH ANNOUNCED "QUALITY AND EFFECTIVENESS" SLOGAN OF 10FYP, CSI REPORT CLAIMED SIGNIFICANT IMPROVEMENT IN "TECHNICAL-ECONOMIC INDICATORS OF WORK OF ENTERPRISES."

3. PRAVDA COMMENTARY, WHICH AS USUAL FOLLOWED CSI REPORT BY ONE DAY, NOTED STATISTICAL SUCCESSES, BUT CAUTIONED THAT "GOOD NEWS FROM THE FRONTS OF 10FYP" SHOULD NOT "COVER UP THOSE DEFECTS WHICH HAVE A NEGATIVE INFLUENCE ON THE RESULTS OF ECONOMIC ACTIVITIES." THESE DEFECTS ARE IDENTIFIED AS FAILURE TO PRODUCE PLANNED QUANTITIES AND TYPES OF MINERAL FERTILIZERS, SYNTHETIC RESINS, PLASTICS, ROLLED STEEL (THIN SHEETS, NON-CORROSIVE, BALL BEARINGS, INSTRUMENT, PIPES FOR LARGE GAS PIPELINES, AND SEVERAL OTHER TYPES), AND MACHINE TOOLS FROM PLANS IN ZLATOUSTOV AND ZHDANOV, KARAGANDA AND ORSK-KHALILOV. GENERAL PROBLEM CONTINUES TO EXIST WITH PLANTS WHICH FULFILL PLAN FOR TOTAL OUTPUT BUT FAIL TO DELIVER SPECIFIC ARTICLES NEEDED BY CUSTOMERS. DOUBLE-BARRELED APPROACH TO SOLUTION MUST INCLUDE "MATERIAL AND MORAL STIMULI FOR PRECISE FULFILLMENT OF DELIVERIES IN EVERY NOMENCLATURE" WITH PARALLEL "STRICT AND UNAVOIDABLE SANCTIONS FOR VIOLATIONS OF PLAN AGREEMENTS." INCREASING COMPLEXITY OF SOVIET ECONOMY, WITH PLANTS LINKED TO "HUNDREDS OF OTHER ENTERPRISES THROUGH NETWORKS OF COOPERATION", RESULTS IN CRITICAL NEED FOR TIMELY DELIVERY OF RAW MATERIALS, SEMI-MANUFACTURED ARTICLES AND ENERGY TO INSURE "RHYTHMIC" PRODUCTION. ALTHOUGH INSTRUMENT-MAKING AND ELECTRONICS INDUSTRIES HAVE DEVELOPED SUCH SYSTEM, WITH PLANNING OF PRODUCTION AND DELIVERY OF OUTPUT STRICTLY TIED TO DAILY PLANS, OTHER INDUSTRIES CONTINUE OPERATE WITH "STORMING" SESSIONS DURING LAST TEN DAYS OF MONTH TO MEET GOALS. PART OF FAULT LIES WITH TRANSPORT INDUSTRY (ESPECIALLY RAILROADS), WHICH DURING FIRST QUARTER FAILED TO DELIVER LARGE AMOUNTS OF COAL, WOOD, ORES, AND COMPONENT PARTS.

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PRAVDA ARTICLE URGES PARTY ORGANIZATIONS, AS WELL AS ECONOMIC PLANNERS, TO USE EXPERIENCE OF MINSK MACHINE-BUILDING INDUSTRY AS EXAMPLE IN CARRYING OUT THEIR "MOST IMPORTANT TASK": INSURING A RHYTHMIC, EVEN DEVELOPMENT OF THE ECONOMY THIS YEAR AND THROUGHOUT THE 10FYP.

4. COMMENT: THESE PRELIMINARY REPORTS INDICATE CONTINUING PROBLEMS IN SHIFTING EMPHASIS AWAY FROM QUANTITATIVE GOALS TO

"QUALITY AND EFFECTIVENESS" CRITERIA. AS PRAVDA COMMENTARY NOTES, FOR SO LONG AS "SOCIALIST COMPETITION" WINNERS CONTINUE TO BE PLANTS WITH LARGEST GROSS OUTPUT, REGARDLESS OF FAILURES TO DELIVER PRODUCTS CONTRACTED FOR, LITTLE INCENTIVE EXISTS FOR MANAGEMENT OFFICIALS TO FORCE NECESSARY CHANGES. HOWEVER, TO ACHIEVE A FIRM RULE OF "THE CONTRACT IS THE LAW" (AS ONE SOVIET ECONOMIST RECENTLY PUT IT) THE SOVIET ECONOMY WOULD NEED TO TAKE ON A SIGNFICANTLY MORE MARKET-ORIENTED NATURE, A SITUATION WHICH DOES NOT APPEAR IMMINENT.

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